

Manufacturers' Inventory and Sales Expectations, First Half 1972

IN the expectations survey conducted in February by the Bureau of Economic Analysis, manufacturers projected strong sales and substantial inventory additions for the first half of 1972. These expectations contrast with the generally small size of the actual third and fourth quarter changes. The expectations imply a sharp drop in the stock-sales ratio from yearend 1971.

Manufacturers reported their inventories in better balance at the end of 1971 than at any earlier end-of-quarter last year. The percentage of stocks judged "high" relative to sales and unfilled orders fell substantially during the fourth quarter after remaining virtually unchanged in the first three

quarters. The amount of "excessive" inventories held by producers also fell sharply.

Sales expectations

Manufacturers expect sales to rise 6 percent in the first quarter and about 1 percent in the second. The projected first quarter increase is twice as strong as that projected in the survey taken in November. Actual January sales were strong—4 percent above December and 5 percent above the fourth quarter average.

Durable goods producers look for an 8 percent rise in the first quarter, with all major industries reporting substantial gains; a 1 percent rise is expected

in the next quarter. Steel producers expect substantial gains in both quarters following low shipments of the second half of 1971, when metal fabricators worked off steel stockpiled earlier in 1971 as a strike precaution.

Nondurable goods producers project a broadly based rise in the first quarter, amounting to 4 percent in the aggregate. The aggregate is expected to show no change in the second quarter, as small declines in some industries offset gains in others.

Inventory additions

Manufacturers expect to add \$1 billion to inventories during the first quarter and \$425 million during the second. Accumulation in January, according to preliminary estimates, amounted to about one-fifth of the expected first quarter addition.

Durable goods producers plan to increase their holdings by \$900 million during the first quarter and \$100 million during the second. Durable goods inventories were cut in all four quarters of 1971, for a total reduction of \$1 billion.

Nondurable goods producers plan to add \$70 million to stocks this quarter and \$300 million in the second. During 1971 their stocks rose \$1 billion, with \$600 million of the increase occurring in the fourth quarter.

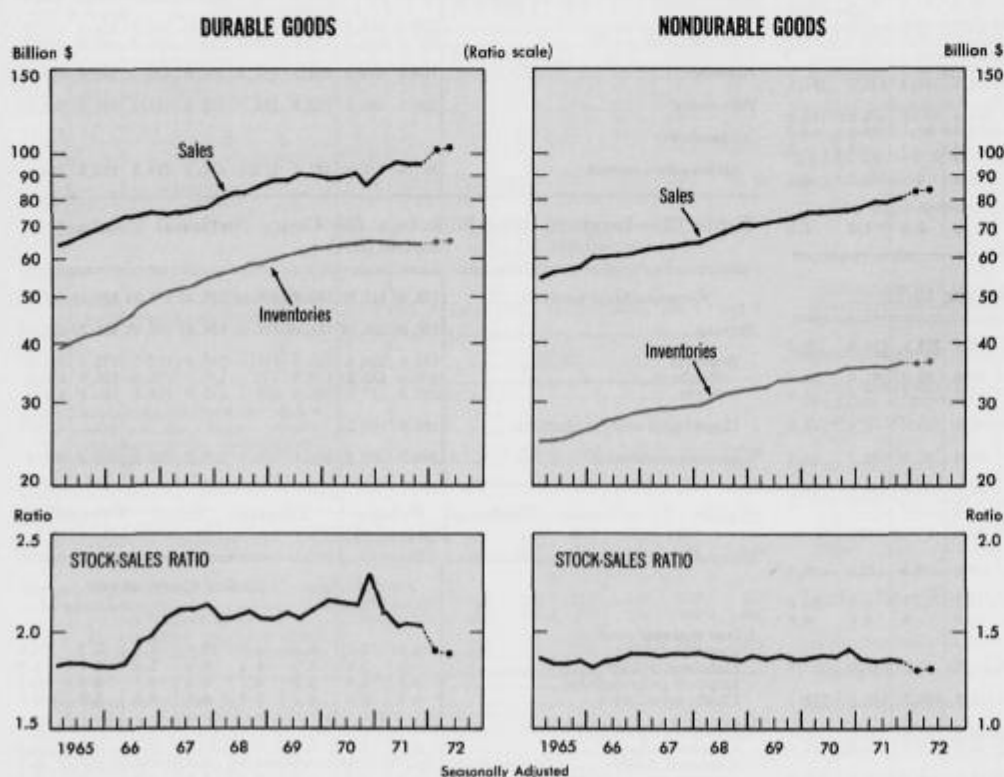
Stock-sales ratios

If the inventory and sales expectations are realized, the manufacturers' stock-sales ratio will be 1.63 on both March 31 and June 30, 1972, compared with 1.72 at yearend 1971. The ratio has not been in the 1.6 range since mid-1966.

The durable and nondurable stock-sales ratios both held unchanged from mid-1971 to yearend; both are expected to decline in the first quarter of 1972, with little change in the second quarter. The durable goods ratio is expected to drop from 2.03 on December 31 to 1.90 on March 31, and the nondurables ratio from 1.35 to 1.30.

CHART 7

Manufacturers' Sales and Inventory Expectations



• Expectations

Inventory imbalance at December 31

As of December 31, 1971, manufacturers holding 17 percent of total manufacturing inventories evaluated their stocks as "high"; 82 percent judged them "about right"; 1 percent, "low." The high ratio dropped 3 percentage points from September 30.

The "high" ratio for the durable

goods group fell from the 23-24 percent range in the first three quarters of the year to 18 percent at the end of 1971, the lowest in 6 years. The nondurables "high" ratio held at 15 percent at the end of 1971, unchanged from June and September.

Manufacturers' inventories on December 31 were \$1.84 billion in excess

of needs (after netting excesses against deficiencies), down from \$2 billion on June 30 and September 30. The year-end imbalance was equivalent to 1.8 percent of total producers' stocks.

The net excess held by durable goods producers fell from \$1.62 billion on September 30 to \$1.28 billion on December 31. The excess peaked at \$1.90 billion in mid-1970 and drifted downward thereafter. It was about 2.9 percent of durable goods inventories throughout 1970; it fell to 2 percent by the end of 1971.

The net excess held by nondurable goods producers was \$560 million at the end of 1971, somewhat higher than the approximately \$400 million estimated in March, June, and September. The yearend excess amounted to 1.5 percent of total nondurables stocks, up from 1.1 percent earlier in 1971.

Table 1.—Manufacturers' Inventories and Sales: Actual and Expected¹

(Billions of dollars)

	1969				1970				1971				1972	
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I ²	II ²
Inventories, end of quarter:														
Unadjusted:														
All manufacturing.....	92.8	94.1	94.7	95.4	96.4	97.0	98.7	100.1	101.0	100.7	99.4	100.2	102.0	102.2
Durables.....	60.4	61.5	61.9	62.8	64.2	64.4	64.5	64.8	65.4	64.9	63.1	63.9	65.5	65.5
Nondurables.....	32.4	32.6	32.8	32.6	32.1	32.6	34.2	35.3	35.6	35.8	36.3	36.3	36.5	36.7
Seasonally adjusted:														
All manufacturing.....	92.3	93.9	95.5	96.7	97.9	98.7	99.0	100.5	100.5	100.3	100.5	101.5	101.0	101.0
Durables.....	60.2	61.3	62.8	63.2	63.9	64.2	65.0	65.2	65.1	64.6	64.6	65.1	65.2	65.2
Nondurables.....	32.1	32.6	32.7	33.5	34.0	34.5	34.0	35.3	35.4	35.7	35.9	36.4	35.8	35.8
Sales, total for quarter:														
Unadjusted:														
All manufacturing.....	165.4	163.4	163.8	165.0	163.8	163.1	162.1	161.1	165.7	173.2	170.1	175.0	184.6	182.8
Durables.....	87.0	86.9	85.0	81.0	87.8	82.5	80.3	80.6	89.6	90.8	90.3	93.1	102.1	107.8
Nondurables.....	86.4	76.5	78.8	74.0	76.0	75.6	75.8	75.5	76.1	72.4	79.8	81.7	82.4	84.5
Seasonally adjusted:														
All manufacturing.....	167.0	166.4	163.0	163.7	163.4	163.1	163.9	170.5	175.0	174.1	175.0	180.0	187.7	187.7
Durables.....	87.2	87.5	86.1	80.0	88.3	83.1	80.8	82.0	90.8	90.1	90.1	102.8	103.6	103.6
Nondurables.....	79.8	78.9	76.9	73.7	75.2	75.0	75.2	77.9	79.2	79.0	79.0	83.8	83.0	83.0

1. All actual data have been adjusted to conform with the recent revision by the Bureau of the Census (Report M3-1.3).
2. Expectations reported by manufacturers in February 1972. Inventory expectations have been corrected for systematic biases. Sources: U.S. Department of Commerce. Expectations, Bureau of Economic Analysis; actuals, Bureau of the Census.

Table 2.—Manufacturers' Evaluation of the Condition of Their Inventories¹

(Percentage distribution)

	Total			Durables			Nondurables		
	High	About right	Low	High	About right	Low	High	About right	Low
March 31, 1967.....	31	68	1	37	62	1	20	78	2
June 30, 1967.....	31	61	2	34	63	1	20	76	4
September 30, 1967.....	27	65	4	34	63	3	15	81	4
December 31, 1967.....	26	72	2	31	67	2	15	81	4
March 31, 1968.....	26	72	2	31	66	3	15	82	3
June 30, 1968.....	26	72	2	31	67	2	15	80	4
September 30, 1968.....	24	73	3	28	70	2	15	79	5
December 31, 1968.....	18	80	2	10	79	2	15	82	2
March 31, 1969.....	20	78	2	21	77	2	17	82	1
June 30, 1969.....	21	77	2	22	76	2	18	80	2
September 30, 1969.....	23	76	1	25	72	1	17	82	1
December 31, 1969.....	23	76	1	28	72	2	18	81	1
March 31, 1970.....	24	76	1	27	72	1	10	80	1
June 30, 1970.....	24	76	1	28	71	1	17	81	2
September 30, 1970.....	23	77	1	26	74	1	16	82	3
December 31, 1970.....	21	78	1	23	76	1	16	83	1
March 31, 1971.....	20	79	1	23	78	2	14	85	1
June 30, 1971.....	21	78	1	24	75	1	15	83	2
September 30, 1971.....	20	78	2	23	75	2	15	82	3
December 31, 1971.....	17	82	1	18	81	1	15	84	1

* Revised.

1. Condition of actual inventories relative to sales and unfilled orders position as viewed by reporting companies. Percent distribution of inventory book values according to companies' classifications of their inventory condition.

Note.—Due to change in survey questionnaire, data starting December 31, 1969, are not strictly comparable to prior data.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 3.—Inventory Imbalance

	Inventory excess	Inventory deficiency	Net excess	
			Amount	Percent of total inventories
			Billions of dollars	
All manufacturers:				
Mar. 31, 1969.....	1.87	0.16	1.71	1.9
June 30, 1969.....	1.90	.24	1.72	1.9
Sept. 30, 1969.....	2.26	.15	2.23	2.4
Dec. 31, 1969.....	2.30	.18	2.34	2.5
Mar. 31, 1970.....	2.55	.10	2.48	2.5
June 30, 1970.....	2.43	.15	2.47	2.5
Sept. 30, 1970.....	2.43	.11	2.37	2.4
Dec. 31, 1970.....	2.44	.13	2.31	2.3
Mar. 31, 1971.....	2.31	.14	2.17	2.2
June 30, 1971.....	2.27	.17	2.00	2.0
Sept. 30, 1971.....	2.29	.18	2.00	2.0
Dec. 31, 1971.....	2.00	.16	1.84	1.8
Durable goods:				
Mar. 31, 1969.....	1.31	.12	1.19	2.0
June 30, 1969.....	1.35	.12	1.17	1.9
Sept. 30, 1969.....	1.75	.11	1.84	2.7
Dec. 31, 1969.....	1.91	.18	1.78	2.8
Mar. 31, 1970.....	1.97	.06	1.88	2.9
June 30, 1970.....	2.00	.10	1.90	2.9
Sept. 30, 1970.....	1.84	.07	1.87	2.9
Dec. 31, 1970.....	1.88	.07	1.81	2.8
Mar. 31, 1971.....	1.81	.07	1.74	2.7
June 30, 1971.....	1.81	.11	1.60	2.5
Sept. 30, 1971.....	1.84	.12	1.62	2.5
Dec. 31, 1971.....	1.80	.08	1.28	2.0
Nondurable goods:				
Mar. 31, 1969.....	.56	.04	.52	1.6
June 30, 1969.....	.61	.00	.61	1.7
Sept. 30, 1969.....	.61	.04	.57	1.8
Dec. 31, 1969.....	.59	.03	.56	1.7
Mar. 31, 1970.....	.61	.01	.60	1.8
June 30, 1970.....	.63	.05	.57	1.7
Sept. 30, 1970.....	.64	.04	.60	1.8
Dec. 31, 1970.....	.64	.06	.50	1.5
Mar. 31, 1971.....	.69	.07	.43	1.2
June 30, 1971.....	.65	.10	.40	1.1
Sept. 30, 1971.....	.68	.17	.35	1.1
Dec. 31, 1971.....	.64	.09	.56	1.6

* Revised.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.